

ROSS PARISH ESSAY COMPETITION

Have two hundred years of liberal capitalism made us any happier?

The annual Ross Parish Essay Competition, open to young people aged eighteen to thirty, was named for Professor Ross Parish (1929–2001), one of the longest-serving members of the CIS Council of Academic Advisors and the CIS Research Director for several years.

For 2007, competition entrants were asked, ‘Have two hundred years of liberal capitalism made us any happier?’ The question was prompted by renewed intellectual interest in happiness, much of it arguing that capitalist society is bad for well-being. The argument has many threads: some of the common claims are that materialist attitudes foster discontent, that we neglect family and friends to become richer, that too much choice causes stress, and that income inequality causes illness.

Comparisons with two hundred years ago proved difficult; empirical happiness research goes back only to the 1940s. But entrants to the essay competition did write well about what social conditions contribute to happiness, and if and how we should measure it. The first prize went to Stephen Whittington from Wellington in New Zealand, and the second prize went to Kim Anderson, who studied in Adelaide before moving to Melbourne.



Liberal Capitalism: The Will to Happiness

Liberal capitalism delivers the satisfaction of personal achievement, says **Kim Anderson**

In earlier ages, the struggle between liberal capitalism and competing ideologies revolved around the question of which could best provide for the prosperity and economic growth of society.

History has delivered an unequivocal verdict on this question. Over the last two hundred years, the societies that have surged ahead in economic development have been those adopting liberal capitalist systems and open trade. The argument that central planning and government intervention are needed to promote growth has been comprehensively defeated—so comprehensively, in fact, that stubborn proponents of competing ideologies have been forced into an embarrassing U-turn. It is perhaps the ultimate testament to the success of liberal capitalism that the only way its opponents can now muster an objection is to spurn and condemn prosperity itself.

Attacks on prosperity take various forms. Radical environmentalists assert that increasing consumption of resources to meet human desires is unethical and somehow against a ‘natural order,’ be it simply ‘the environment,’ or its personification as Gaia or Captain Planet. Another fashionable approach is to claim that, far from making us happy, the prosperity and progress that capitalism brings serves only to make us miserable. This is the thesis adopted by Clive Hamilton and Richard Denniss in their book *Affluenza*.¹ More goods and services, we are told, even those we think we want, destroy our emotional and psychological well-being, and the freedom to strive for those goods and services corrupts human nature, leaving us desperately competitive and always grasping for more than our neighbour.

Statistical claims about happiness

To combat our intuitive sense that getting the things we want will typically make us happier than not getting them, Hamilton and his comrades mount several arguments.

First they trumpet psychological studies and surveys ‘proving’ that prosperity has not led to increased happiness. One could instinctively retort by pointing to other studies that suggest very strong links between economic freedom and reported happiness.² But the more principled response is to observe the inherent failings of a statistical approach.

One does not need a degree in psychology to appreciate the impossibility of quantifying people’s internal happiness through an external response. Possibly, one does need such a degree to blind oneself to this commonsense truth. Asking people to rate their happiness on a scale from one to ten inevitably introduces a huge range of cultural biases and the nuances of individual personality

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traits. Exactly how happy is a seven? Would a staid German accountant and a brash American radio jock agree on what that number represented?

As much as some studies try to introduce a level of sophistication in this area, the underlying epistemological problem of how much we can really know about other people's mental states remains. This problem cuts to the essence of human consciousness, and cannot be defeated by measuring chemical or electrical impulses in the brain. Searching for statistical proof of happiness is therefore a fruitless quest.

However, it does not follow that we should abandon the quest to measure happiness altogether. We can perform a sensible analysis based on common sense, personal experience, and observations about human nature.

Diminishing returns and the value of endeavour

Another argument put against prosperity appeals to this form of qualitative analysis. It is claimed that material wealth can only increase happiness up to a certain living standard. An extra hundred dollars might make a starving man much happier by letting him eat, but it does not make much difference to the happiness of a billionaire in letting him marginally enlarge his share portfolio.

Almost everyone would accept that there are diminishing returns at work here. But it is conceited to suggest that a significant percentage of Australian society lives in such decadent opulence that financial considerations no longer limit their material satisfaction.

The virtue of liberal capitalism lies not only in its delivering more goods and services to people, but also in its granting people the freedom to pursue those goods and services through personal endeavour. The sense of purpose and individual achievement this grants has, in itself, a great positive effect upon happiness. We can see the force of this effect by reflecting on personal experience. In one domain or another, virtually everyone has felt profound satisfaction and pride in a personal achievement. We know that an Olympic medal is worth more to its winner than its monetary value.

The liberal capitalist system imparts this same quality to the goods and services people consume within it. Paying off a mortgage on a home delivers satisfaction and happiness beyond that delivered by

no longer diverting income to interest payments. It represents the culmination of hard work and personal endeavour. It is inherently dignifying to the individual.

Compared to a hypothetical society where everyone is allocated a staple, standard-issue flat entirely irrespective of their personal contribution to the common good, the greater satisfaction derived from home ownership under capitalism is evident. The experience of governments throughout the world is that recipients of public housing are less appreciative of it and often treat it with contempt. Particularly pertinent examples of this have been given in relation to housing in the *banlieues* [suburbs] in the outskirts of Paris, supplied to predominantly African migrants as an unconditional social welfare initiative.³

Even in children and youths, we can observe the greater fulfilment from toys or privileges that are obtained through patient effort rather than furnished by spoiling, overindulgent parents. Experience compels us to the conclusion that humans are geared to value what they earn through personal commitment or sacrifice. Capitalism recognises this value and offers us more than the hollow sustenance of the welfare state.

Capitalism's focus upon personal endeavour also has the flow-on effect of giving people hope. Americans, for instance, have a much greater belief in upward mobility than the citizens of countries oriented towards social welfare.⁴ Americans expect that they will manage to increase both their absolute and relative wealth in the future. This is entirely unsurprising, because capitalism gives people direct control over the process of acquiring wealth. While the value of a government welfare pension is dictated by bureaucracy, a privately-supplied income can be sought and bargained for.

Although some expectations of upward mobility will inevitably go unrealised, the expectation itself must bring some degree of happiness. We know from experience that adversity is far bitterer when combined with a sense of powerlessness. Relying on the welfare state, individuals unhappy with their lot can hope for little more than a lottery jackpot. Relying on capitalism, they can resolve to learn more, work harder, and hope for greater rewards. Instead of dwelling upon the problem in a state of depression, they can focus upon the solution with determination.

Causation and human nature

Liberal capitalism is also better tailored to human nature than its alternatives. In complaining that liberal capitalism corrupts us and leads to selfishness and ruthless competitiveness, critics of capitalism make an astonishing assumption. They assume that our economic system dictates human nature, rather than that human nature must dictate our economic system.

This is the same fatal error of reasoning committed by their socialist predecessors. Communism was founded substantially on the view that humans were not inherently self-interested agents, and would be diligent and industrious even where the connection between effort and reward was severed. That premise proved to be utterly incorrect. People resented toiling away to provide a tiny distributed benefit to a hundred million faceless strangers. People were content, in such circumstances, to live parasitically upon the work of others.

The notion that alternatives to liberal capitalism could make human self-interest evaporate, and reconstruct us as wholly altruistic beings, is fanciful and naive. It is piquant to observe that concern about human selfishness has been expressed in the Bible, which far predates liberal capitalism. The tenth commandment requires that 'you shall not covet your neighbour's house ... or anything that belongs to your neighbour.'⁵

Competition and freedom: a positive-sum game

When properly understood, these observations as to the inevitability of human nature are not cause for despair. Contrary to the opinion of Hamilton and his allies, competition in a liberal capitalist society is not a zero-sum game, even in a psychological sense. The success and happiness of those who 'win' at capitalism does not come at the expense of those who lose. The reason is that although people measure themselves against others to a significant extent, they do so according to a variety of yardsticks.

Some derive self-esteem from excelling in academia and intellectual achievement. Others derive pleasure from outperforming competitors on the sports field. Still others find their purpose and fulfilment through artistic pursuits. And yes, some, like the insider-trading Gordon Gekko of the 1987

film *Wall Street*, find it in adding as many zeroes as possible to the end of their bank balances.

This huge range of preferences means that the success of one person is not necessarily the failure of another. The tone-deaf athlete and the clumsy opera singer may both feel very proud of their achievements and sanguine about their limitations. It is absurd to suggest that citizens of liberal capitalist societies are universally running around stealing their neighbours' paycheques to satisfy themselves that they are earning ten dollars more per week.

Liberal capitalism actually provides best for the range of human endeavour because it leaves total freedom to the individual to determine how they can most rewardingly interact with the wider economy. It will recognise the value of, and tend to develop, not only bigger factories and more televisions, but also more stimulating jobs and more flexible lifestyle options. It will cater to cultural niches that deliver happiness in different ways to the mainstream. It is no coincidence that liberal capitalist countries are characterised by the most vibrant subcultures and alternative lifestyles.

An inherent limitation of government-driven alternatives to liberal capitalism in providing happiness is that they are constrained by government's imperfect and unsophisticated understanding of what different people need to be happy and how their needs evolve over time. Government alternatives are based on a static concept of happiness, and on the implausible notion that a centralised bureau of decision-makers knows each of our minds better than we do ourselves.

Conclusion

It is impossible to make ironclad, proven claims about such a subjective, unquantifiable, and diffuse concept as happiness. But a balanced consideration based on personal experience, common sense, and empirical observation leads emphatically to the conclusion that liberal capitalism provides for greater human happiness than its alternatives. Yet there remains a small group whose happiness has not been increased by two hundred years of liberal capitalism: those critics whose intellectual credibility and emotional validation is so inextricably invested in capitalism's failure that they yearn for nothing else.